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Ministry of Transportation

PRIVATE-SECTOR INVESTOR SOUGHT TO REVITALIZE BC RAIL

VICTORIA – A new partnership for BC Rail will revitalize rail services and open up new economic opportunities for northern B.C. while providing added capital investment with no new public debt, Transportation Minister Judith Reid announced today.

Under the new model, BC Rail's rail beds, railway rights-of-way and tracks will remain publicly owned, while a private-sector investor will be sought to assume the operations and management of the freight-rail service and provide much-needed service improvements.

Based on input and advice from BC Rail customers and mayors, a request for expressions of interest was launched today to identify qualified investors for the partnership.

"Northern communities have clearly told us that changes are needed to improve services, restore BC Rail's competitiveness and generate new investments in a way that's sustainable for taxpayers," Reid said. "The new model responds to the concerns we have heard about BC Rail and the requests for improvements. It will revitalize services, provide new opportunities for rail-dependent customers and communities and support economic growth for our province."

Reid said the new arrangement will mean:

- Public ownership of the BC Rail rail beds, railway rights-of-way and tracks.
- More competitive rates.
- A better-integrated rail network.
- Improved ability to get B.C. products to markets throughout North America and beyond.
- New private-sector investment for capital improvements like rail cars, sidings, loading facilities and rail lines.
- Economic development and revitalization of BC Rail-dependent communities.
- No new public debt and no further risk to taxpayers.
- All existing rail corridors are maintained under public ownership.

Shippers and community leaders raised concerns about the long-term viability of BC Rail at the province's Transportation Congress in September and a follow-up meeting on rail services in Prince George in November. BC Rail has already cost taxpayers \$857 million in asset write-offs in the past 15 years, on top of its current debt of \$502 million.

This ongoing debt burden effectively amounts to a subsidy of BC Rail by taxpayers and has contributed to declining competitiveness and deterioration of services. The corporation is now paying over \$30 million a year, and roughly half of its operating income, to debt servicing.

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“While the railway has seen improved performance in 2002 due to exceptional circumstances involving the softwood lumber dispute, this does not reflect the significant, ongoing need for capital investment that will ensure long-term viability,” Reid said. “The company is faced with a shrinking client base, as evidenced by the recent loss of northeast coal contracts.”

Reid said the mayors’ and shippers’ councils underlined that BC Rail must provide an integrated, competitive network for customers to get their products to markets, and that a new approach and substantial investment are both required if BC Rail is to meet the needs of B.C.’s resource industries and the communities they support.

Mayors and shippers said new partnership proposals must be evaluated on the basis of:

- Continued public ownership of the railway rights-of-way, rail bed and track.
- Sustainability – the proposal must promote a robust and well-maintained transportation infrastructure that supports long-term economic development and diversification of B.C. communities.
- Competitiveness – proposals must recognize industrial customers’ desire for competitive freight-rail services and rates while providing integrated North American access to preferred markets and carriers for interline rail shipments.
- Growth opportunities – any proposal needs to accommodate access to the railway line for third-party passenger rail services on reasonable economic terms and identify any new opportunities for freight-rail services.
- Community benefits – a proposal should demonstrate how it will benefit key groups – such as employees, communities and First Nations – and ensure continuation of the rail-shuttle service between D’Arcy and Lillooet.

“The agreement we are seeking will provide for these concerns to be addressed,” said Reid.

CIBC World Markets has been retained by the province to conduct a thorough and comprehensive collection and evaluation of proposals from qualified, interested parties.

This process will begin today with a request for proposals. A short list of qualified private-sector operators will be identified by early this summer. The evaluation committee will then review proposals, with the aim of recommending to government a proponent for final negotiations in late summer. A final agreement will be concluded by the end of the year.

The request for proposals and further background is available at www.bcrail.com/news-bulletins/ online.

1 backgrounder(s) attached.

Visit the province's Web site at <http://www.gov.bc.ca/> for online information and services.

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